



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of Blue Advantage Plus of Kansas City, Inc. as of December 31,
2007

ORDER

After full consideration and review of the report of the financial examination of Blue Advantage Plus of Kansas City, Inc. for the period ended December 31, 2007, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Linda Bohrer, Acting Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER Blue Advantage Plus of Kansas City, Inc., to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this December 30, 2008.



Linda A. Bohrer

Linda Bohrer, Acting Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF
ASSOCIATION FINANCIAL EXAMINATION
BLUE ADVANTAGE PLUS OF KANSAS CITY, INC.

AS OF
December 31, 2007

FILED
JAN 09 2009
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION
JEFFERSON CITY, MISSOURI

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Kansas City, Missouri
November 10, 2008

Honorable Alfred W. Gross, Commissioner
Virginia Bureau of Insurance
Chairman, (E) Financial Condition Committee, NAIC

Honorable Merle Scheiber, Commissioner
South Dakota Division of Insurance
Midwestern Zone Secretary

Honorable Linda Bohrer, Acting Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65102

Ladies and Gentlemen:

In accordance with your financial examination warrant, a full scope association financial examination has been made of the records, affairs and financial condition of

Blue Advantage Plus of Kansas City, Inc.

hereinafter referred to as such, as the "Company" or as "BA+." Its administrative office is located at 2301 Main Street, Kansas City, Missouri 64108, telephone number (816) 395-3355. This examination began on April 28, 2008, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

This is the first financial examination of BA+. The examination covers the period from the Company's incorporation on April 18, 2005 through December 31, 2007, and has been conducted by examiners from the State of Missouri and Kansas representing the Midwestern Zone of the NAIC.

This examination was conducted concurrently with the examinations of the Company's parent, Blue Cross and Blue Shield of Kansas City (BCBS of Kansas City), and its affiliates, Good Health HMO, Inc d/b/a Blue Care, Inc. (Good Health) and Missouri Valley Life and Health Insurance Company (Missouri Valley).

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the NAIC, except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) and statutes of the State of Missouri prevailed.

The examiners relied upon tests of controls, narrative descriptions, fraud risk assessments and other information supplied by the Company's independent auditor, Ernst & Young, LLP, of Kansas City, Missouri, for its audit covering the period from January 1, 2007 through December 31, 2007.

Comments-Previous Examination

This is the first financial examination of BA+, accordingly, there are no comments or notes from a previous examination to review or address.

HISTORY**General**

Blue Advantage Plus of Kansas City, Inc. was incorporated on April 18, 2005, under the provisions of Missouri Revised Statutes (RSMo) Chapter 354 (Health Service Corporations-Health Maintenance Organizations), as it pertains to health maintenance organizations. The Company received its Certificate of Authority on June 30, 2005 from DIFP and commenced business on July 1, 2005. At this time Medicaid business of BCBS of Kansas City was transferred in its entirety to BA+.

Capital Stock and Dividends

The Company's Articles of Incorporation authorize it to issue 10,000 shares of \$1.00 par value common stock. There were 10,000 shares issued and outstanding for a balance of \$10,000 in the Company's common capital stock account, as of December 31, 2007. All issued and outstanding shares are owned by BCBS of Kansas City. No dividends were declared or paid during the examination period.

Management

The management of the Company is vested in a Board of Directors elected by the sole shareholder, BCBS of Kansas City. The Company's Articles of Incorporation specify that Board of Directors shall consist of a minimum of four (4) directors. The Board of Directors elected and serving, as of December 31, 2007, all of which were employees of BCBS of Kansas City, were as follows:

Name and Address**BCBS of Kansas City Affiliation**

Roger L. Foreman
Cameron, Missouri

Executive Vice President and Chief Marketing Officer

David R. Gentile
Leawood, Kansas

Executive Vice President and Chief Member Services &
Subsidiary Officer

Peter K. Yelorda
Kansas City, Missouri

Executive Vice President and Chief Administrative
Officer

John W. Kennedy
Overland Park, Kansas

Executive Vice President and Chief Operating Officer

Marilyn T. Tromans
Kansas City, Missouri

Vice President and Chief Financial Officer

Committees

The Company's Bylaws allow the Board of Directors to create specific committees as it deems necessary. However, no committees were created or in operation during the examination period.

Officers

The Board of Directors annually elects various Company officers, as required by the Bylaws. The officers listed below were serving in their designated capacity as of December 31, 2007:

David Gentile	President, Chairman of the Board and Chief Executive Officer
Marilyn T. Tromans	Treasurer
C. Brent Bertram	Secretary
Bryan F. Miller	Actuary

Conflict of Interest

The Company has procedures, which require all officers and directors complete a conflict of interest statement annually. Signed conflict of interest statements were reviewed for the examination period. No significant conflicts were disclosed.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed for the period under examination. The Articles of Incorporation were not amended during the examination period. The Bylaws were amended May 25, 2005, changing the date of the Annual Meeting of the Stockholders to anytime in May.

The minutes of the Board of Director's meetings and the shareholder meetings were reviewed for proper approval of corporate transactions. The minutes, in general, appear to properly reflect and approve the Company's major transactions and events for the period under examination.

Acquisitions, Mergers and Major Corporate Events

There were no acquisitions, mergers or major corporate events noted for the period under examination.

Surplus Debentures

There were no surplus debentures issued or outstanding for the period under examination.

AFFILIATED COMPANIES

Holding Company, Subsidiaries and Affiliates

The Company is a member of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by Good Health's parent, BCBS of Kansas City on behalf of itself, Good Health and BCBS of Kansas City's other subsidiaries for each year of the examination period.

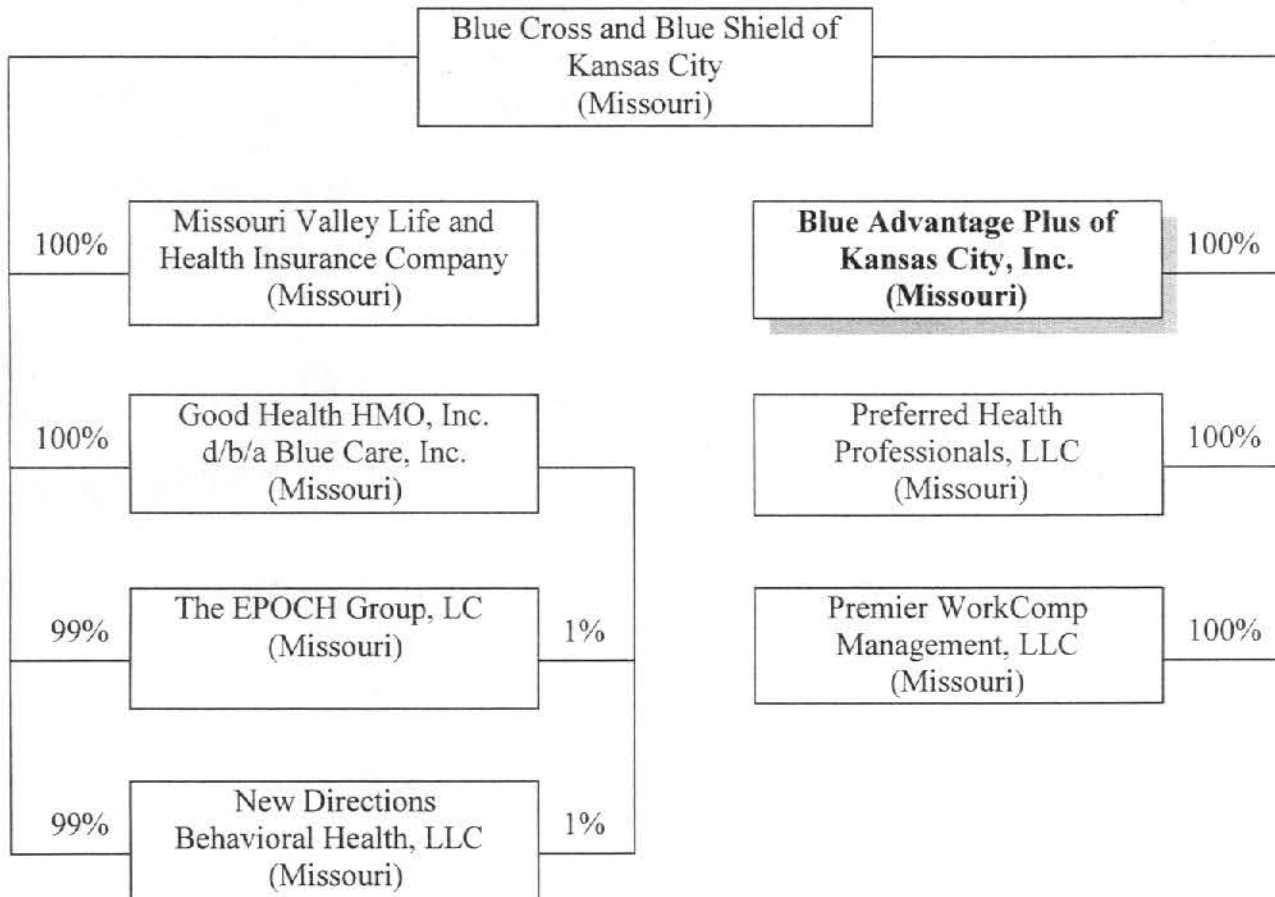
BA+ is 100% owned by BCBS of Kansas City, which is a not-for-profit, health care insurer domiciled in the State of Missouri. BCBS of Kansas City has no stockholders or other ownership. BA+ is ultimately controlled by the Board of Directors of BCBS of Kansas City.

In addition to BA+, BCBS of Kansas City has several other subsidiaries that all have businesses involved in or related to the health care industry. These subsidiaries are described as follows:

- Good Health HMO, Inc. d/b/a Blue Care, Inc. (Good Health) and Missouri Valley Life and Health Insurance Company (Missouri Valley) are Missouri domiciled insurers.
- The EPOCH Group, LC (EPOCH) provides administrative services for third-party employers that have self-funded health insurance programs.
- Preferred Health Professionals, LLC (PHP) provides network rental and managed care services to groups, third-party claims administrators and insurance companies.
- Premier WorkComp Management, LLC (Premier WorkComp) provides clients with access to a provider network exclusively for the treatment of work-related injuries and illnesses.
- New Directions Behavioral Health, LLC (New Directions) manages behavioral health benefits and provides employee assistance programs for its customers.

Organizational Chart

The following organizational chart depicts BA+'s ownership and holding company system, as of December 31, 2007:



Intercompany Transactions

The Company was a party to various intercompany agreements with related parties as of December 31, 2007. These agreements are summarized as follows:

1. **Type:** Agreement for the Sharing of Federal Income Taxes and Filing of a Consolidated Tax Return

Affiliates: BCBS of Kansas City, Good Health, Missouri Valley

Effective: November 1, 2005

Terms: BCBS of Kansas City will file a consolidated federal tax return for itself and its subsidiaries. The tax liability for each subsidiary shall be based upon each subsidiary's taxable income or loss as reflected in the consolidated financial statements. Each subsidiary will pay its federal income taxes to BCBS of Kansas City. BCBS of Kansas City will collect and remit any tax refunds to the subsidiaries.

2. Type: Administrative Services Agreement

Affiliate: BCBS of Kansas City

Effective: August 1, 2006

Terms: BCBS of Kansas City agrees to provide the following administrative services: accounting, budgeting, personnel, payroll, office space, utilities, maintenance, claims processing, purchasing, legal, actuarial, underwriting, cash management, investment, marketing, data processing, and other services. BA+ will pay BCBS of Kansas City the actual expenses incurred for the services provided.

3. Type: Ancillary Provider Network Agreement

Affiliates: New Directions, BCBS of Kansas City, Good Health, Missouri Valley

Effective: January 1, 2006; amended October 1, 2007

Terms: New Directions agrees to manage and/or arrange for the provision of behavioral health and substance abuse services for the members of BCBS of Kansas City and its subsidiaries including BA+. New Directions will provide for the credentialing reviews of providers. BCBS of Kansas City and its subsidiaries will pay New Directions a capitation payment each month that is determined by the per member per month rates specified in the agreement. The rates vary between products sold by BCBS of Kansas City and its subsidiaries.

4. Type: Agreement for the Management of Intercompany Payables and Receivables

Affiliates: BCBS of Kansas City, Good Health, Missouri Valley

Effective: August 1, 2006

Terms: BCBS of Kansas City shall pay the payables and collect the receivables for its subsidiaries. Separate accounting records will be maintained for the transactions for each subsidiary. Transfers of funds to or from the subsidiaries will be made to minimize uninvested cash balances and to minimize the receivable or payable balance with each subsidiary.

BCBS of Kansas City shall pool and retain the consolidated funds resulting from the transactions and invest the pooled funds. BCBS of Kansas City shall pay interest or receive interest each month from the subsidiaries based upon the intercompany balance of each subsidiary. The interest rate shall be the applicable federal rate determined by the most recently published Internal Revenue Service in a Revenue Ruling.

Exception: The Agreement for the Management of Intercompany Payables and Receivables contradicts the Medicaid Agreement between BA+ and the State of Missouri. The Medicaid Agreement requires direct payment of premiums to BA+'s bank account while the Agreement for the Management of Intercompany Payables and Receivables gives BCBS of Kansas City the authority to collect all premiums. The Company is directed to amend the Agreement for the Management of Intercompany Payables and Receivables to carve out the Medicaid premiums paid directly to BA+ from BCBS of Kansas City's authority to receive the subsidiary's remaining receivables. The amendment should be filed with DIFP in accordance with Section 382.195 RSMo (Prohibited transactions, exceptions).

5. Type: Guarantor Agreement

Affiliate: BCBS of Kansas City

Effective: July 1, 2005

Terms: In the event of insolvency of BA+, BCBS of Kansas City agrees to provide BA+ whatever guarantee or coverage necessary to meet all applicable requirements of its business as a state qualified HMO. This coverage will provide for the continuation of covered benefits to BA+'s members and pay provider expenses as defined in the agreement.

In addition to amounts paid and received under the above agreements, BA+ received capital contributions from BCBS of Kansas City for each of the years in the examination period. The contribution amounts are detailed below in the Intercompany Payments section of this report.

Intercompany Payments

The amounts paid to and (received) from parent and affiliates during years under examination were as follows:

	2007	2006	2005
Agreement for Sharing of Federal Income Taxes (Received) from/paid to BCBS of Kansas City	(2,432,866)	(1,682,350)	(641,000)
Administrative Services Agreement Paid to BCBS of Kansas City	10,816,385	9,985,710	4,390,427
Ancillary Provider Network Agreement Paid to New Directions	1,770,910	1,874,866	1,063,379
Management of Intercompany Payables/Receivables Paid to BCBS of Kansas City	201,798	191,064	63,210
Capital Contributions (Received) from BCBS of Kansas City	(4,700,000)	(4,500,000)	(8,000,000)
Net amount paid or (received)	5,656,227	5,869,290	(3,123,984)

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured along with its ultimate parent, BCBS of Kansas City, and other affiliates on a financial institution bond. The bond provides fidelity coverage with a liability limit of \$10 million and a deductible of \$150,000. This coverage complies with the suggested minimum amount of fidelity insurance, according to NAIC guidelines.

The Company is also a named insured on the following insurance policies: commercial general liability, umbrella excess liability, commercial auto, commerce liability/business loss, computer crime, errors and omissions, directors and officers liability, fiduciary liability and employment practices.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

BA+ does not have any direct employees. All of the operational and administrative functions of BA+ are performed by the employees of the ultimate parent, BCBS of Kansas City. The Company is allocated a percentage of the benefit costs for BCBS of Kansas City employees, pursuant to an Administrative Service Agreement described in the Intercompany Transactions section of this report.

A variety of standard benefits are provided to BCBS of Kansas City employees. These benefits include, but are not limited to, health insurance, dental insurance, disability insurance, life insurance, tuition reimbursement, and a 401(k) savings plan with matching contributions.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the DIFP as of December 31, 2007, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with Section 354.410 RSMo (Issuance of certificate; trust deposits and capital requirements). The funds on deposit were as follows:

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
U.S. Treasury Notes	\$615,000	\$612,848	\$612,015

Deposits with Other States

BA+ does not have funds on deposit with any other state.

INSURANCE PRODUCTS AND RELATED PRACTICES

General

BA+ was organized on June 30, 2005 in accordance with Missouri law at Chapter 354 (Health Service Corporations-Health Maintenance Organizations) as it relates to health maintenance organizations. The Company's service territory consists of nine counties in western Missouri. The Company's only product is Medicaid managed care. BA+ has applied for and has been awarded contracts by the State of Missouri Division of Medical Services (DMS) to provide managed care services to Medicaid recipients in Missouri. The latest contract awarded to the Company was for a one-year term starting July 1, 2007 with two additional one-year renewal periods at the sole option of DMS. The Company had approximately 27,000 members as of December 31, 2007.

The Company does not utilize any brokers or agents and does not have any direct solicitation for membership, which is in compliance with the Medicaid contract with the State of Missouri. The Company obtains members one of two ways, either a Medicaid eligible individual will select BA+ over its competitors or members will be automatically assigned to BA+ by DMS.

Policy Forms & Underwriting

Advertising & Sales Materials

Treatment of Policyholders

The DIFP has a market conduct staff that performs a review of the issues listed above, as well as reviews of providers/qualifications, contracts, and marketing initiatives which are documented in a separate market conduct report. However, the DIFP has not conducted any market conduct examinations of BA+. A cursory review of market conduct areas was conducted during the course of this examination. No significant problems were noted.

REINSURANCE

General

The Company's reinsurance and premium activity during the period under examination were as follows:

Premiums	2007	2006	2005
Direct premiums written	\$ 76,813,612	\$ 72,828,134	\$ 36,798,197
Reinsurance assumed	-	-	-
Reinsurance ceded	(32,332)	(14,815)	(8,346)
Net premiums written	<u>\$ 76,845,944</u>	<u>\$ 72,842,949</u>	<u>\$ 36,806,543</u>

Assumed

The Company does not assume any business.

Ceded

The Company is contingently liable for all reinsurance losses ceded or retroceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance agreement.

BA+ together with BCBS of Kansas City and Good Health are reinsured by an insolvency reinsurance agreement effective January 1, 2007 through December 31, 2007 with BCS Insurance Company. The agreement covers losses in the event BCBS of Kansas City were to become insolvent. The reinsurer's maximum liability is \$5 million per the reinsurance period. The agreement was renewed for the period January 1, 2008 through December 31, 2008 under the same terms.

BA+ together with BCBS of Kansas City and Good Health are reinsured by an excess of loss agreement, effective January 1, 2008 and terminating on December 31, 2008, with BCS Insurance Company. Services reinsured are those provided to Commercial HMO, Commercial Point-of Services and Medicaid members. The Company's retention is \$600,000 per covered individual per contract period. The reinsurer will reimburse for claims in excess of the retention up to maximum of \$2 million per covered individual per period and \$5 million per lifetime.

ACCOUNTS AND RECORDS

Independent Auditor

The CPA firm of Deloitte & Touche, LLP, of Kansas City, Missouri, issued audited statutory financial statements of the Company for the years 2005 and 2006. The CPA firm of Ernst & Young, LLP, of Kansas City, Missouri, issued audited statutory financial statements of the Company for 2007.

Independent Actuary

The 2005 and 2006 actuarial items reported by the Company were certified by David O. Thoen, FSA, MAAA, of Deloitte Consulting, LLP, of Minneapolis, Minnesota. The 2007 actuarial items reported by the Company were certified by Darrell D. Knapp, FSA, MAAA of Ernst & Young, LLP, of Kansas City, Missouri.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2007. Any examination adjustments to the amount reported in the Annual Statement and/or comments regarding such are made in the "Notes to the Financial Statements." (The failure of any column of numbers to add to its respective total is due to rounding or truncation).

There may have been differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial concerning their effect on the financial statements. Therefore, they were communicated to the Company and/or noted in the workpapers for each individual Annual Statement item.

Assets

	Ledger and Non-Ledger Assets	Assets Not Admitted	Net Admitted Assets
Bonds	\$ 12,057,707	\$ -	\$ 12,057,707
Cash, cash equivalents and short-term investments	3,420,982	-	3,420,982
Investment income due and accrued	111,472	-	111,472
Uncollected premiums and agents' balances	6,745,215	-	6,745,215
Current federal income tax recoverable	316,866	-	316,866
Net deferred tax asset	619,865	619,865	-
Health care and other amounts receivable	206,947	62,947	144,000
Total Assets	\$ 23,479,054	\$ 682,812	\$ 22,796,242

Liabilities, Capital and Surplus

Claims unpaid	\$ 6,997,559
Accrued medical incentive pool and bonus amounts	121,233
Unpaid claims adjustment expenses	250,522
Aggregate health policy reserves	1,500,000
Premiums received in advance	26,000
General expenses due or accrued	412,127
Amounts due to parent, subsidiaries and affiliates	5,323,074
Aggregate write-ins for other liabilities:	
Uncashed checks pending escheatment	<u>3,126</u>
Total liabilities	14,633,641
Common capital stock	10,000
Gross paid in and contributed surplus	17,190,000
Unassigned funds (surplus)	<u>(9,037,400)</u>
Total Capital and Surplus	<u>8,162,600</u>
Total Liabilities and Capital and Surplus	<u>\$ 22,796,241</u>

Statement of Revenue and Expenses

Net premium income	\$ 76,781,280
Total revenues	76,781,280
Hospital and Medical:	
Hospital/medical benefits	56,243,981
Emergency room and out-of-area	8,293,488
Prescription drugs	8,525,761
Incentive pool, withhold adjustments and bonus amounts	214,470
Total hospital and medical	73,277,700
Claims adjustment expense	2,459,452
General administrative expenses	8,356,933
Total underwriting deductions	84,094,085
Net underwriting gain or (loss)	(7,312,805)
Net investment income earned	496,306
Net realized capital gains (losses) less capital gains tax	(42,158)
Net investment gains (losses)	454,148
Aggregate write-ins for other income or expenses - intercompany interest	(201,798)
Net income or (loss) after capital gains tax and before all other FIT	(7,060,455)
Federal and foreign income taxes incurred	(2,410,166)
Net income	<u><u>(\$4,650,289)</u></u>

Capital and Surplus Account

Capital and Surplus, December 31, 2006		\$ 8,107,468
Net income	\$ (4,650,289)	
Change in unrealized capital gains	647	
Change in net deferred income tax	26,275	
Change in nonadmitted assets	(21,501)	
Surplus adjustments: Paid in	<u>4,700,000</u>	
Net change in capital and surplus for the year		<u>55,132</u>
Capital and Surplus, December 31, 2007		<u>\$ 8,162,600</u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND/OR RECOMMENDATIONS

Agreement for the Management of Intercompany Payables (page 7)

The Agreement for the Management of Intercompany Payables and Receivables contradicts the Medicaid Agreement between BA+ and the State of Missouri. The Medicaid Agreement requires direct payment of premiums to BA+'s bank account while the Agreement for the Management of Intercompany Payables and Receivables gives BCBS of Kansas City the authority to collect all premiums. The Company is directed to amend the Agreement for the Management of Intercompany Payables and Receivables to carve out the Medicaid premiums paid directly to BA+ from BCBS of Kansas City's authority to receive the subsidiary's remaining receivables. The amendment should be filed with DIFP in accordance with Section 382.195 RSMo (Prohibited transactions, exceptions).

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Blue Advantage Plus of Kansas City, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Bernie Troop, CFE, Alvin Garon, CFE, Leslie Nehring, CPA, CFE, Karen Baldree, CFE, CPA, Steven Koonse, CFE and Angi Campbell, CFE, AES, examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration participated in this examination. In addition, Bertram Oparaji, CFE, representing the Kansas Department of Insurance also participated in the examination. The firm of Milliman, Inc., of St. Louis, Missouri participated as a consulting actuary.

VERIFICATION

State of Missouri)
)
 County of)

I, Mark Nance, CPA, CFE, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

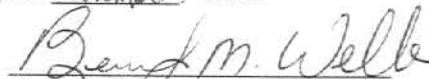


Mark Nance, CPA, CFE
 Examiner-In-Charge
 Missouri Department of Insurance, Financial
 Institutions and Professional Registration

Sworn to and subscribed before me this 6th day of November, 2008.

My commission expires:

04/14/2012


 Notary Public

BEVERLY M. WEBB
 Notary Public - Notary Seal
 STATE OF MISSOURI
 County of Clay
 My Commission Expires 4/14/2012
 Commission # 08464070

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.



Vicki L. Denton, CFE

Audit Manager

Missouri Department of Insurance, Financial
Institutions and Professional Registration



BlueCross BlueShield of Kansas City

An Independent Licensee of the
Blue Cross and Blue Shield Association

One Pershing Square
2301 Main
P.O. Box 419169
Kansas City, MO 64141-6169
Telephone: 816-395-2222
www.bcbskc.com

December 19, 2008



Mr. Frederick Heese, CFE, CPA
Chief Financial Examiner &
Acting Division Director
Missouri Department of Insurance
PO Box 690
Jefferson City, MO 65102-0690

Re: Response to Exam: Blue Advantage Plus of Kansas City, Inc.

Dear Mr. Heese:

This letter is in response to your letter of November 25, 2008 requesting verification of compliance with the comments and recommendations from the financial examination for the Company as of December 31, 2004. We request that our response be included in the report as a public document.

Agreement for the Management of Intercompany Payables and Receivables

We will amend this agreement to excluded the Medicaid premium paid directly to BA+ and will file the amendment with DIFP.

If after reading the responses, you have additional questions, you can reach me at 816-395-2750, or by e-mail at marilyn.tromans@bcbskc.com.

Sincerely,

Marilyn Tromans
Vice President, CFO

MT:lp